



The Many Facets of the RECs Markets

Greg Pool

**BP Energy Emissions / Renewables Trading and
Origination**

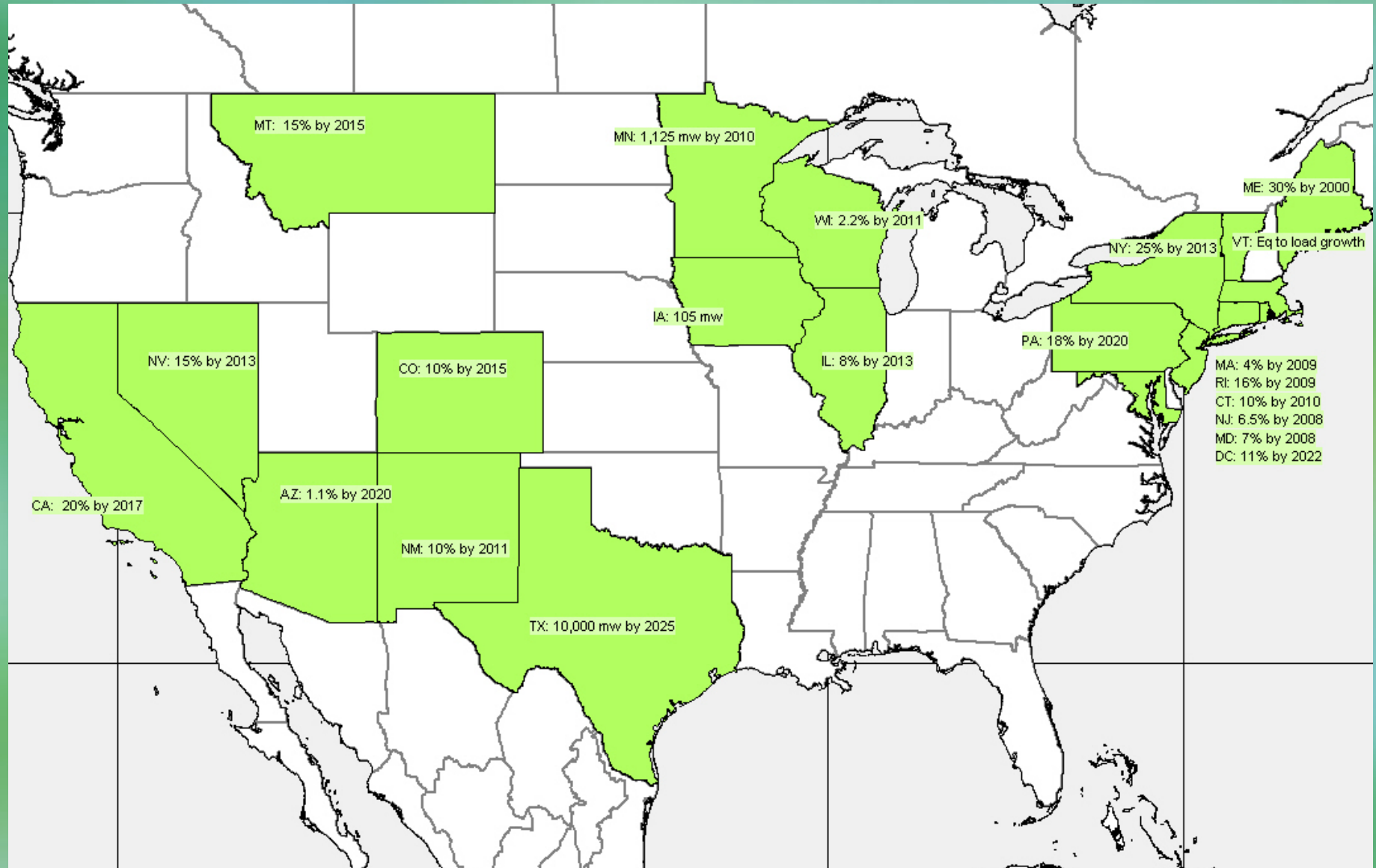
10-25-05

Presentation Focus

Pricing in the Mandated / RPS Markets

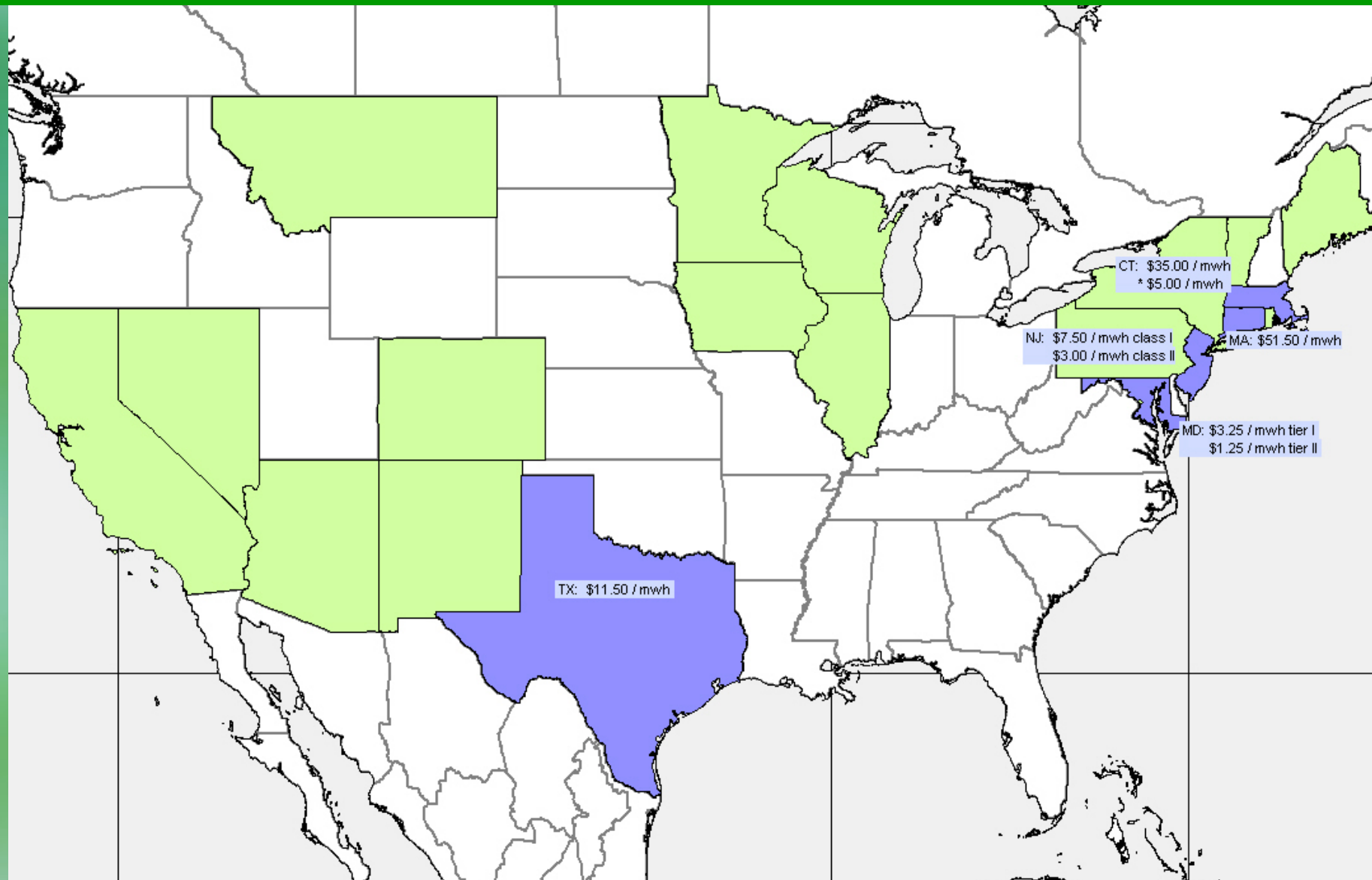
- **Overview**
 - States with an Renewable Portfolio Standard
 - What states are actually trading?
 - Spot prices
- **Position Risks**
- **Characteristics of a successful RPS**
 - Participates
 - Demand
 - Supply
- **Market Equilibrium**
 - Drivers
 - Price Sweet Spot

RPS Map – 22 states with requirements

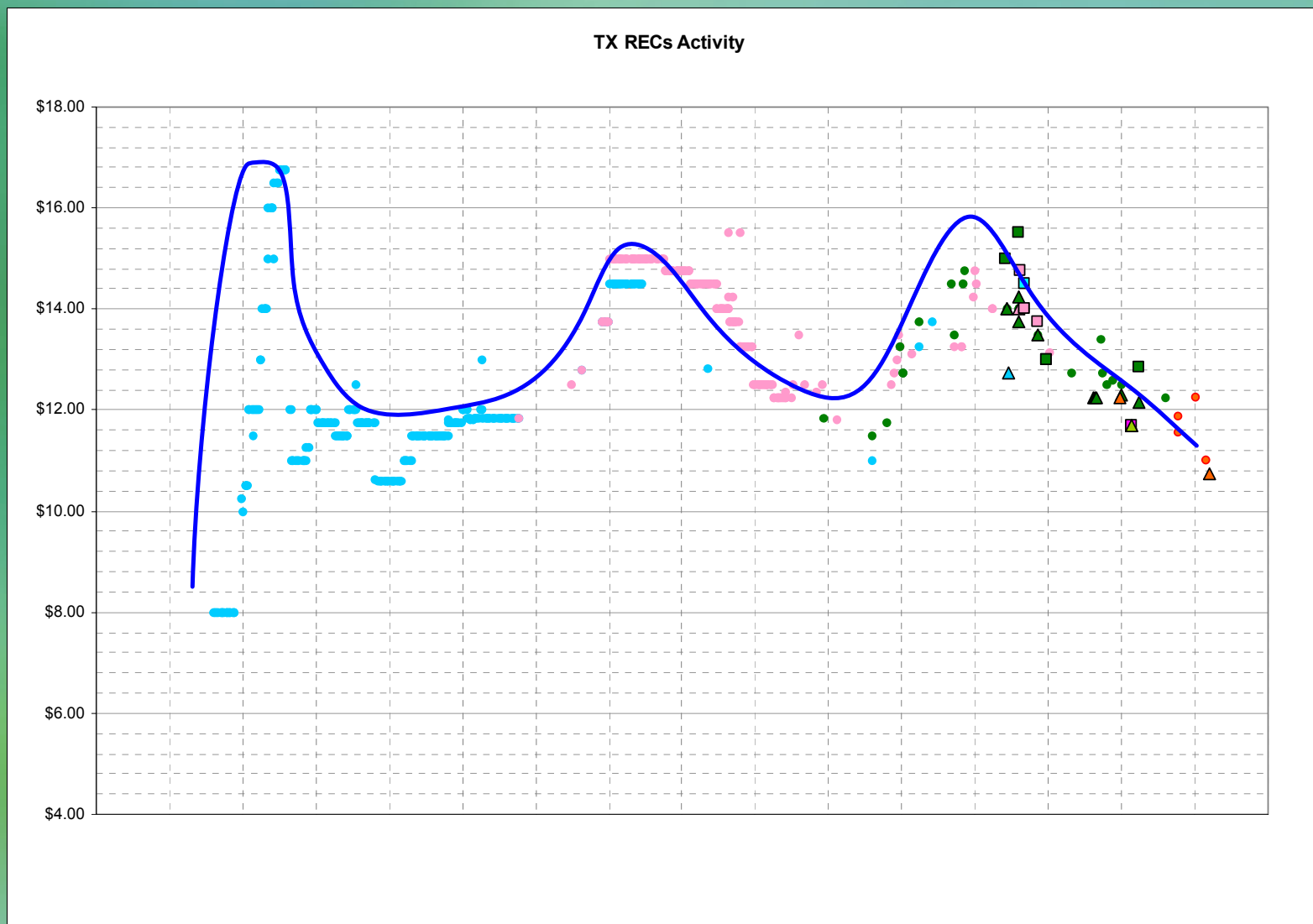


Top 5 traded markets

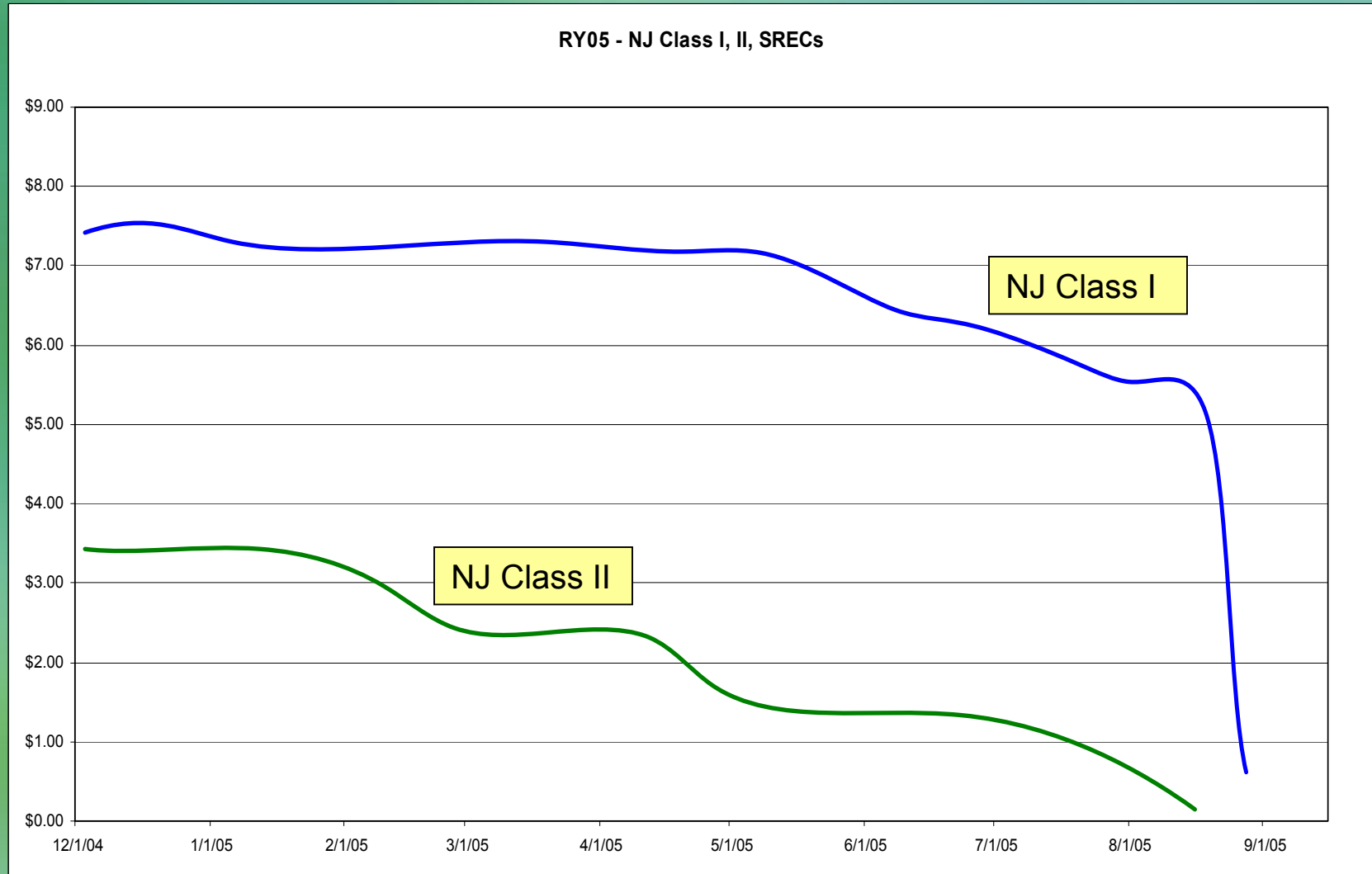
(Texas, New Jersey, Massachusetts, Connecticut, Maryland)



Texas RECs - Historical

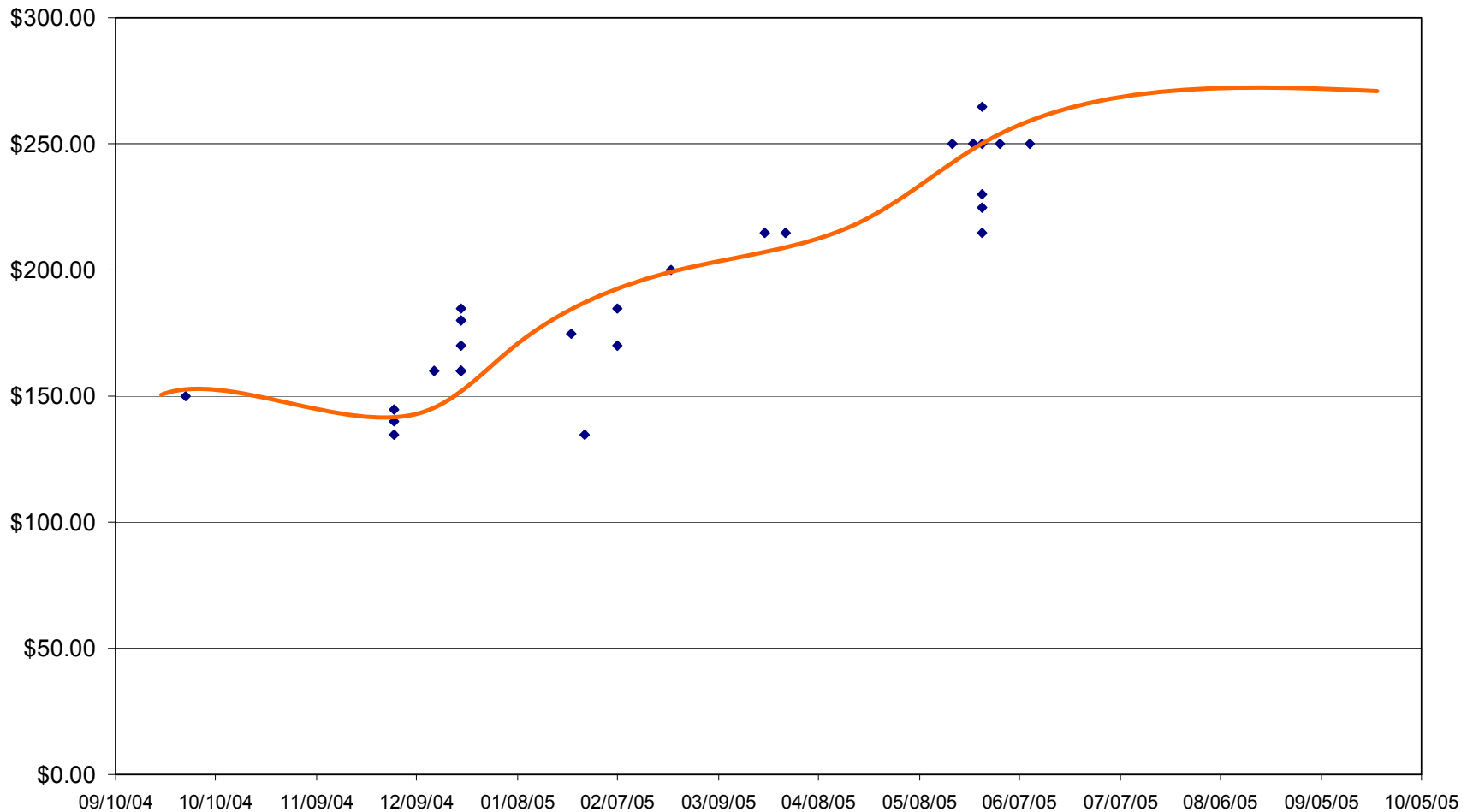


New Jersey RECs - Historical

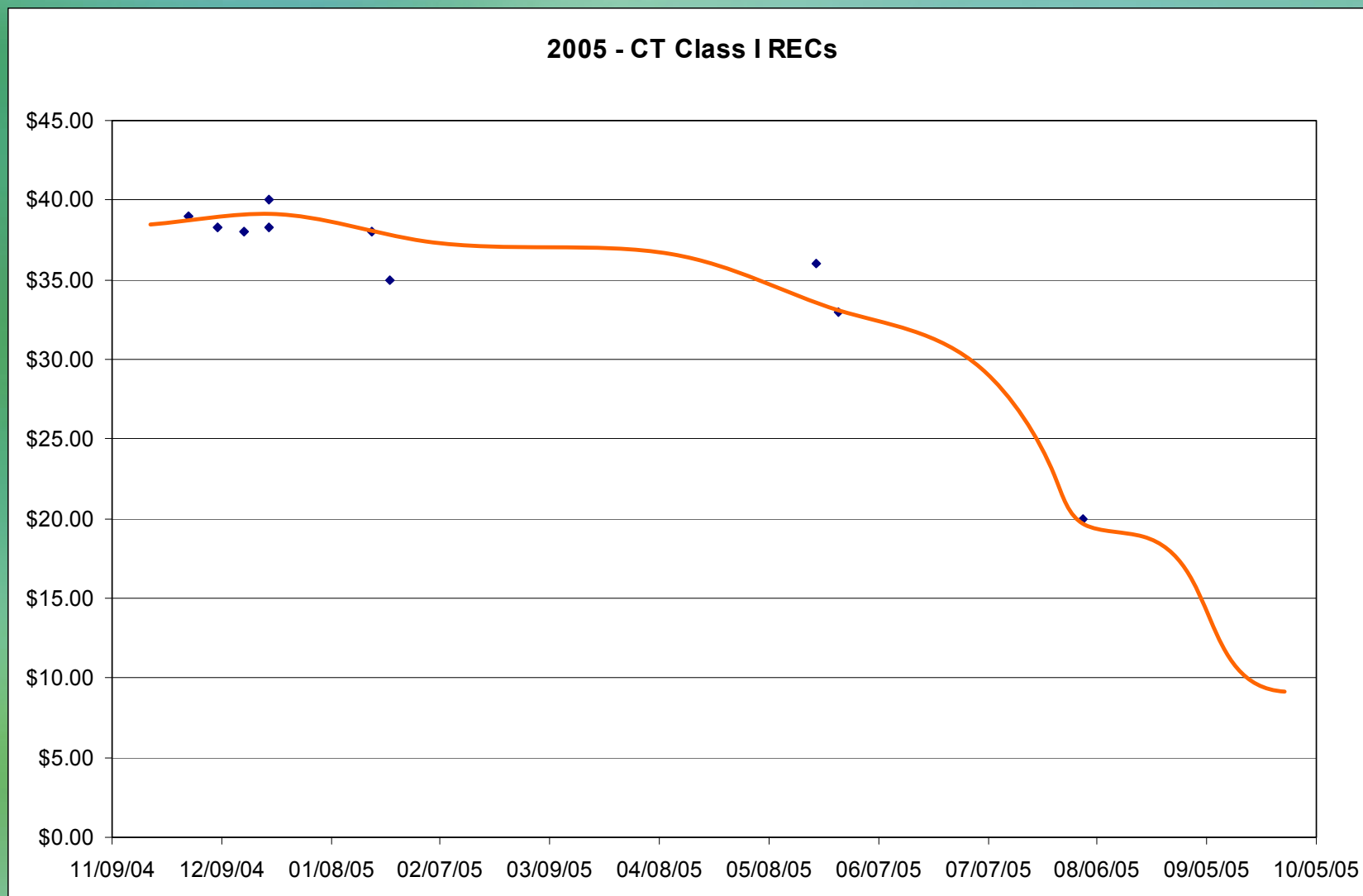


New Jersey RECs - Historical

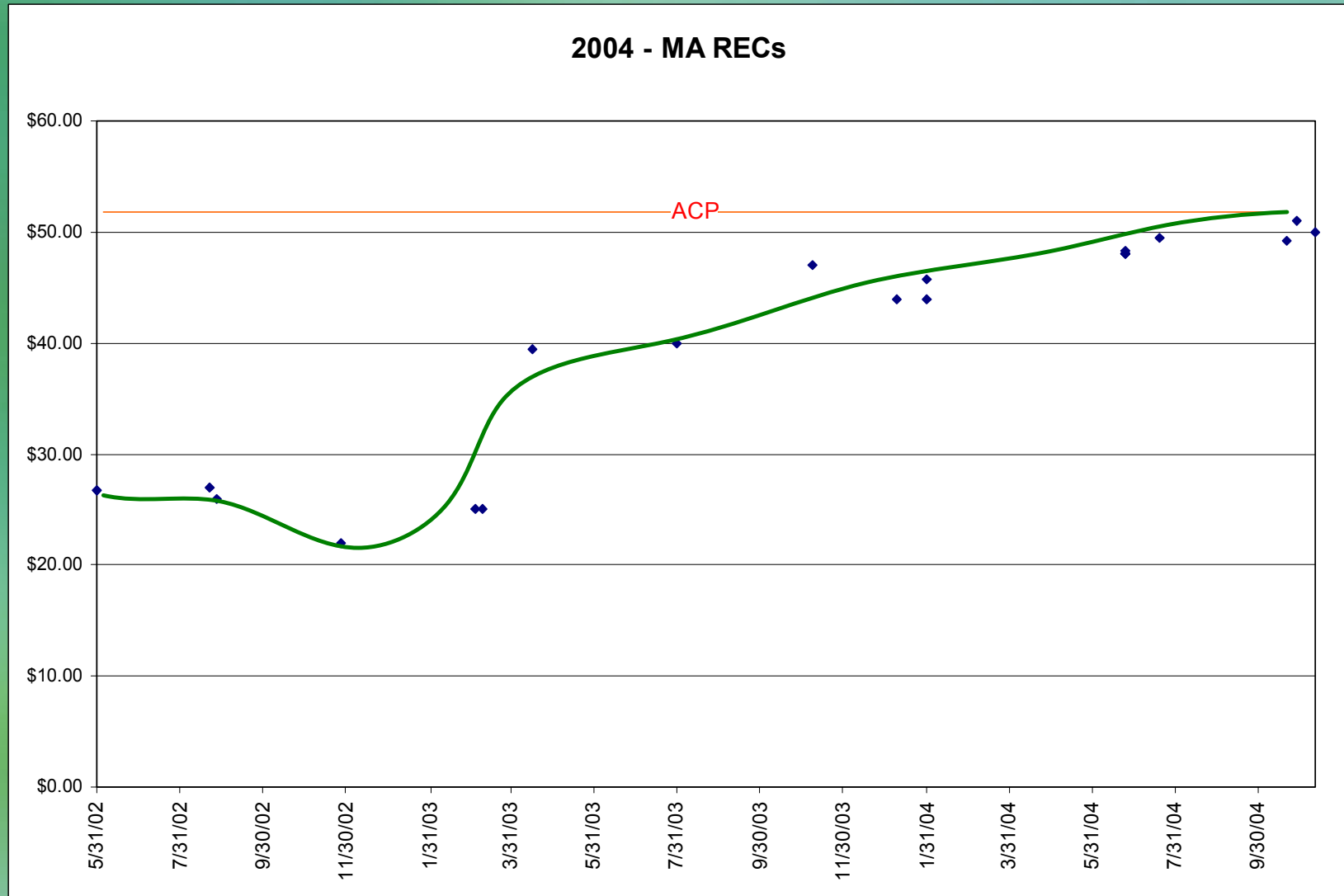
RY05 - NJ SRECs



Connecticut RECs - Historical



Massachusetts RECs - Historical



Risks in Trading

- ☒ **Basic Market Risk – Supply/Demand**
 - 💣 **Demand - Capacity Target, Price**
 - 💣 **Supply - Import / Export, Price**
- ☒ **Regulatory – Legislative Risks**
 - 💣 **Rule changes could drastically affect prices**
- ☒ **Technology Risks**
 - 💣 **Could lead to large increases in supply**
- ☒ **Liquidity Risks**
- ☒ **Volatility Risks**
- ☒ **Credit Risk**
- ☒ **Counter-Party Risk**

What characterizes a good 'long-term' RECs market?

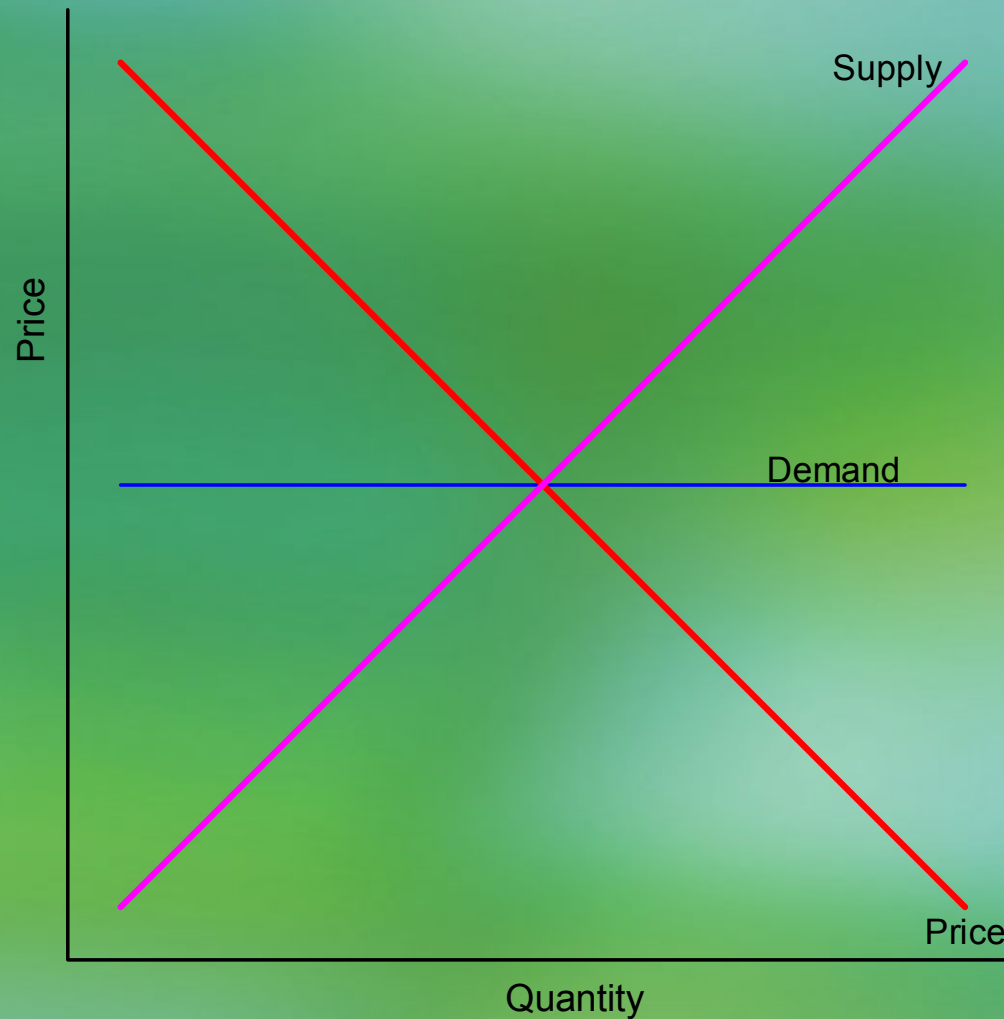


- ★ Accelerated, sustainable growth of renewable generation
- ★ Improvements in electrical reliability
- ★ Feasible development cost (or returns)
- ★ Rules that are easily understood and easily accessible

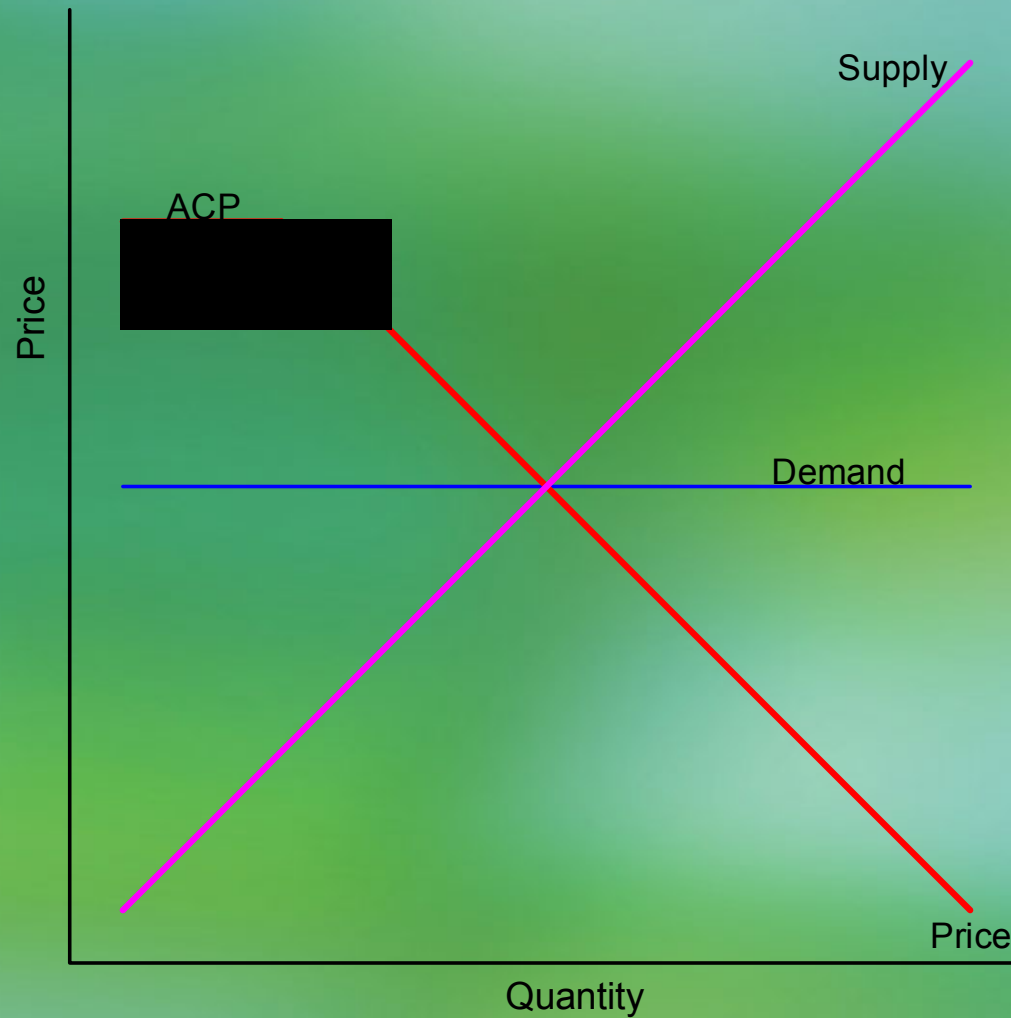
Important Aspects

- | | |
|----------------------|----------------------------|
| * Applicable Tiers | * Banking |
| * Validity | * Certification / Tracking |
| * Imports / Exports | * Trading |
| * Support | * Clear rules |
| * High, floating ACP | |

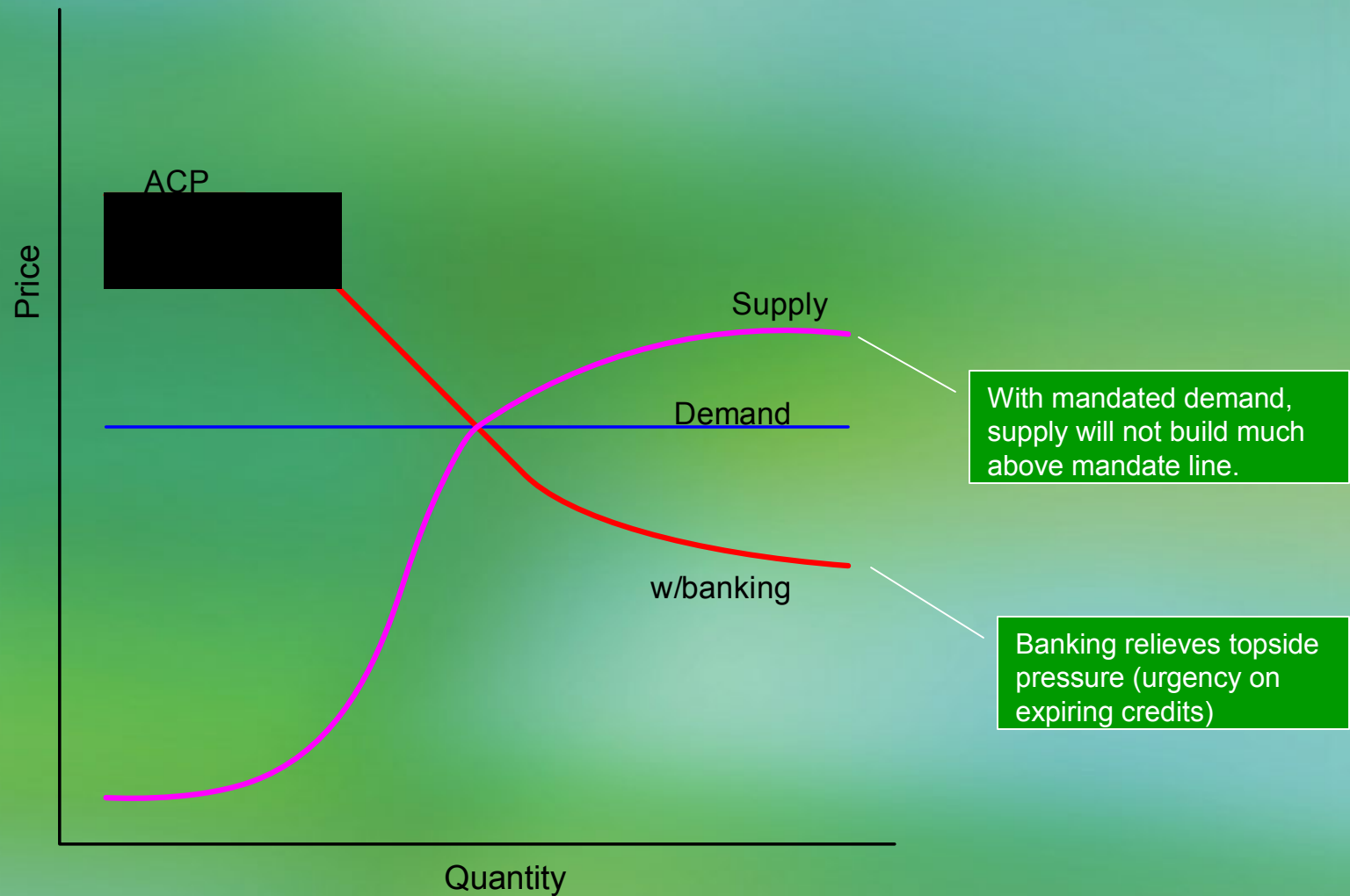
Market Equilibrium ₁



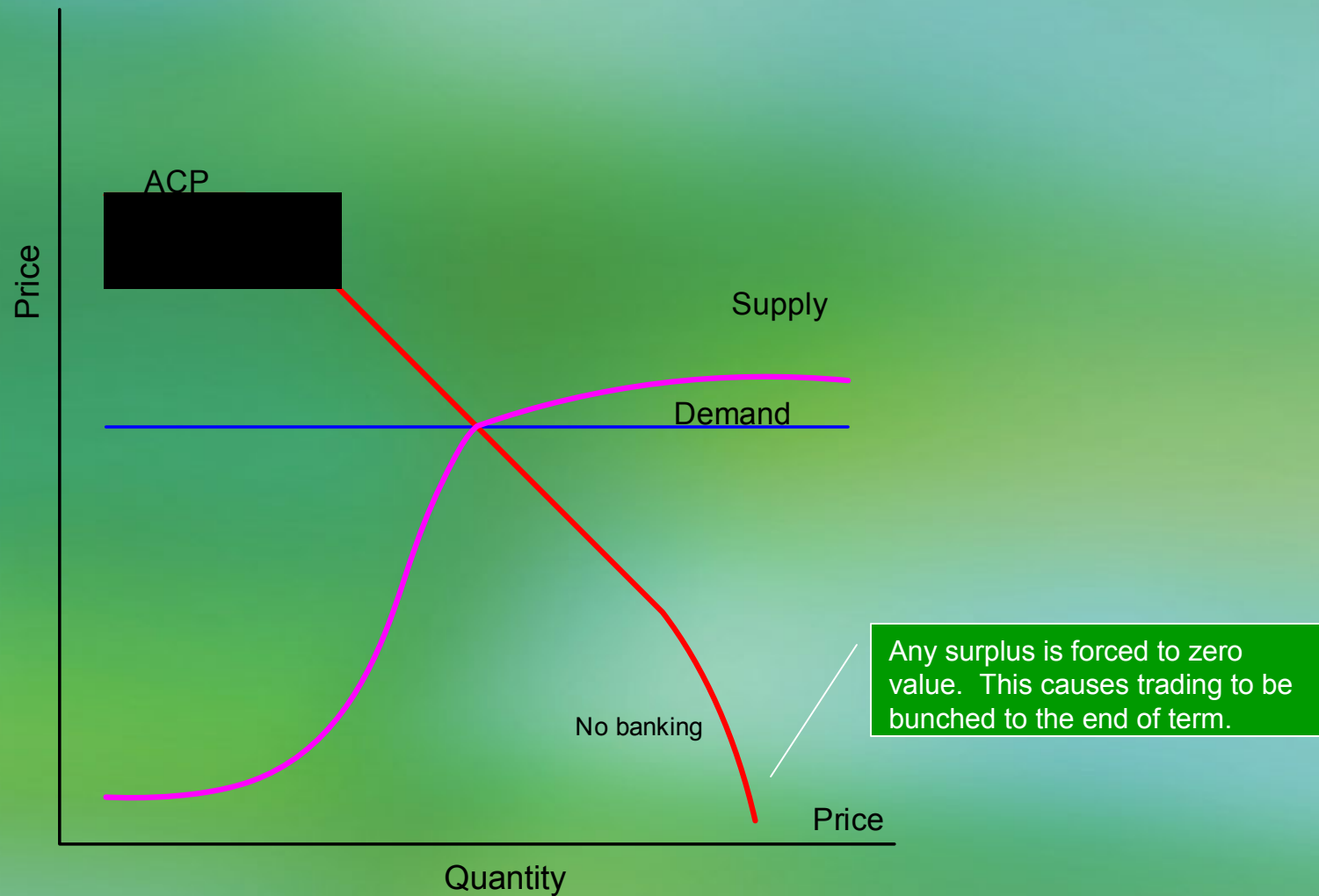
Market Equilibrium 2



Market Equilibrium ₃



Market Equilibrium 4



BP Energy – Emissions / Renewables Trading and Origination



BP Energy is committed to maintaining a presence in all areas of the U.S. Renewable Energy Industry - originating, developing, marketing bundled & unbundled, and providing liquidity in the mandated markets. Enabling customers and the market to...

- ❖ Buy from a secure company that shares your “green” values
- ❖ Simplify their energy procurement needs to buying bundled Gas / Power / Emissions / REC products.
- ❖ Take advantage of BP’s access to the traded renewables markets and our ability to provide unique renewable products.
- ❖ Directly support the development of energy technologies such as solar, wind, small hydro, biomass and geothermal from generation sources throughout the United States.

“Development remained a topic of debate with renewed attention on the way in which energy projects can affect local communities, particularly in the developing world, where energy industry activity has been associated with conflict, corruption and economic instability. Part of our responsibility as a company is to ensure that our work is a force for social and economic progress. This involves working with host governments, non-governmental organizations and global institutions to create conditions in which resource development reduces poverty, improves living standards and creates jobs.” BP Energy, The Energy Year in Perspective, 2004

Contact Info



Greg Pool
Renewable Energy Trader

BP Energy
501 Westlake Park Blvd.
Houston, TX 77079
(281) 366-3221
greg.pool@bp.com